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GHI MORTGAGE INVESTORS

A CANADIAN MORTGAGE TRUST

2nd ANNUAL REPORT

FOR THE YEAR ENDING DECEMBER 31st, 1975

GHI MORTGAGE INVESTORS

1975 FINANCIAL HIGHLIGHTS

	1975	1974 ⁽¹⁾
Gross Income	\$ 615,946	\$ 370,666
Net Income	470,017	302,293
Income Distributed		
Total	470,017	302,293
Per Unit	130.57	106.52
% Return Per Unit	13.1	14.2
Unitholders' Equity	3,725,059	3,045,513
Total Assets	5,085,350	3,859,480

⁽¹⁾ For the 9 month period ending December 31st, 1974



GHI MORTGAGE INVESTORS

Advised by
GHI Adviser Ltd.

REPORT FOR THE QUARTER
ENDED JUNE 30, 1976

1210 - ONE LOMBARD PLACE
WINNIPEG, MANITOBA R3B 0X3

Officers

A. A. Portugal	Chairman of the Board
D. Sokolov	Secretary
R. C. Deegan	Controller

Trustees

T. A. Crosier
Partner, Crosier, Greenberg
& Partners, Consulting
Engineers

W. C. Irish
Partner, Inkster, Walker,
Westbury, Irish, Rusen
& Hughes, Barristers

F. J. Keks
Partner, Dunwoody
& Company,
Chartered Accountants

J. T. McJannet
Partner, Pitblado & Hoskin,
Barristers

A. A. Portugal
Chairman & Chief Operating
Officer of the Adviser and
Vice-President of Genevieve
Holdings Ltd.

L. Shearer
President of
Shearer Enterprises Ltd.

N. Starr
Executive Vice-President,
Acklands Ltd.

AUDITORS

Thorne, Riddell & Co.

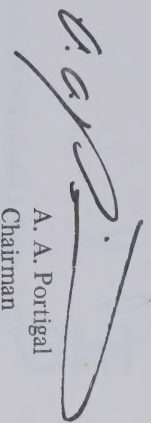
TRANSFER AGENT,
REGISTRAR AND CUSTODIAN
Canada Permanent Trust Company

To the Unitholders

Operations for the six months ended June 30, 1976 resulted in gross revenue of \$347,118, compared to \$283,904, for the same period in 1975, while net income during the period was \$247,210, an increase of \$27,833 or 12.7% over 1975. As a result, income per Trust Unit for the first two quarters of 1976 was \$0.6556 compared with \$0.6424 one year ago. Your Trustees have therefore approved a distribution of 32.9c per unit representing a substantial increase over the same quarter in 1975 being 30.8c per Trust Unit. Currently, loan demand is strong and the Trust has maintained its funds at maximum investment.

We are pleased to report that a new line of credit has been negotiated with a second Canadian Bank and subject to satisfactory security requirements will be available shortly. In addition, a prospectus for an issue of new trust units has been filed with the Manitoba, Saskatchewan, Alberta and British Columbia Securities Commissions. We are therefore looking forward to the additional line of bank credit, as well as the proceeds from the issue of new trust units to supply us with the additional funds required to expand our investments.

We are pleased to report that at the end of the second quarter, the loan portfolio was current with no delinquencies or apparent problems.



A. A. Portigal
Chairman

July 12, 1976

BALANCE SHEET (unaudited) as at June 30, 1976

	1976	1975
Assets		
Cash	\$ -	\$ 116,374
Accrued Interest Receivable	43,526	31,187
Mortgage Loans at Cost (Note 1)	4,562,403	4,044,090
	<u>\$4,605,929</u>	<u>\$4,191,651</u>
Liabilities		
Bank overdraft	\$ 32,909	\$ -
Bank advances (Note 2)	718,000	338,000
Income Distribution Payable	124,066	116,411
Accounts Payable and Accrued Liabilities	5,686	12,163
	<u>\$ 880,661</u>	<u>\$ 466,574</u>
Unitholders' Equity		
Trust Units (Note 3)		
Unlimited Authorization of units without par value		
Issued, 377,100	\$3,725,059	\$3,725,059
Undistributed Income	209	18
	<u>\$3,725,268</u>	<u>\$3,725,077</u>
	<u>\$4,605,929</u>	<u>\$4,191,651</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION (unaudited) for the six months ended June 30, 1976

	1976	1975
Source of Working Capital		
Net Income	\$ 247,210	\$ 219,377
Net Decrease in Mortgage Loans	459,017	-
Net Changes in other Assets and Liabilities	22,774	-
Issue of 685 Trust Units	-	685,000
	<u>\$ 729,001</u>	<u>\$ 904,377</u>
Application of Working Capital		
Reduction in Bank Loans	\$ 282,000	\$ 404,000
Reduction in Note Payable	200,000	-
Net Increase in Mortgage Loans	-	236,426
Distribution declared to Unitholders	247,001	219,359
Issue Expense	-	5,454
Net Changes in other Assets & Liabilities	-	39,138
	<u>\$ 729,001</u>	<u>\$ 904,377</u>

STATEMENT OF INCOME (unaudited) for the six months ended June 30, 1976

	1976	1975
Revenue		
Interest Income	\$ 347,118	\$ 280,793
Fees	-	3,111
	<u>\$ 347,118</u>	<u>\$ 283,904</u>
Expenses		
Interest	47,297	23,545
Advisory Fees	34,706	29,423
Trustees Fees	5,625	5,000
Other Expenses	12,280	6,559
	<u>\$ 99,908</u>	<u>\$ 64,527</u>
Net Income for the period (Note 4)	<u>\$ 247,210</u>	<u>\$ 219,377</u>
Income Distribution Declared	\$ 247,001	\$ 219,359
Undistributed Income	\$ 209	\$ 18
Income per Trust Unit (Note 5)	\$ 0.6556	\$ 0.6424
Income Distribution per Trust Unit		
March 31	\$ 0.3260	\$ 0.3336
June 30	\$ 0.3290	\$ 0.3087

NOTES TO FINANCIAL STATEMENTS (unaudited) for the six months ended June 30, 1976

- MORTGAGES**
All mortgages mature within 5 years.
- BANK ADVANCES**
The Trust has provided security to its bankers to support its credit line.
- TRUST UNITS**
The amount shown as Trust units issued and outstanding is calculated as follows:

377,100	Trust units issued	\$3,771,000
	Less issue expense	45,941
		<u>\$3,725,059</u>
- INCOME TAXES**
The Trust will not be taxed on income distributed to unitholders as it qualifies as a "Unit Trust" under the Income Tax Act of Canada.
- NET INCOME PER TRUST UNIT**
Net income per trust unit is based on the average number of units outstanding during the period.

CHAIRMAN'S REPORT TO UNITHOLDERS

We are pleased to report that our second year achieved a satisfactory performance. The financial highlights and supporting statements reveal that our net income for the year which was fully flowed through to the unitholders was \$130.57 per unit, which on an annualized basis represents a 13.1% return on an original investment. Our assets increased by \$1,225,870 to \$5,085,350, and our portfolio of investments is one that is well diversified and fully current.

Your Trustees have adopted a policy that the interest return on the majority of loans made by the Trust are at a rate, floating over chartered bank prime with a pre-determined minimum interest rate applicable to the loan. By these means the income of the Trust is cushioned at all times to allow for a satisfactory return to the unitholders and during the year we have been successful in maintaining a spread between the bank prime rate and income distributions of a range from 3.25% to 4.3%.

Although the Trust can lend money out for a maximum of 6 years, the history of our loans indicate a more rapid turnover. In 1975 \$1,477,500 was paid out and we advanced additional funds of \$2,808,500. This "payout" represents approximately 38.8% of our mortgage portfolio at the beginning of the year. The Trust encourages these rapid turnovers by providing that most of its loans are pre-payable after an initial minimum period so as to afford unitholders greater liquidity in the Trust's portfolio.

During the first twelve months the Trust had been in operation, it had received enquiries from time to time whether additional units could be issued. We were therefore encouraged to apply to the regulatory authorities for special permission to issue additional units over a short term period during the first week of April 1975, and were successful in increasing the investment by unitholders by \$685,000 representing an additional 22.2% of the original \$3,086,000 investment. The acceptance by the investing public of our place in the lending market was most encouraging.

With our policy of careful growth and with increased responsibilities, your Trustees in 1975 appointed a Controller responsible for internal control of the Trust's activities. Mr. R.C. Deegan C.A. brings a great depth of experience to our operations and will

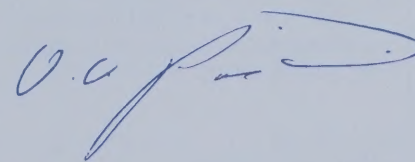
be an integral part of the planning of the Trust's activities. Your Trustees and Officers regret the resignation of D.M. Drew and wish him well in his new undertakings.

The Trust's objective is to provide its unitholders with a balanced portfolio of mortgage investments consistent with the higher than normal return on their investment. It is the Trust's policy to distribute all taxable income for each fiscal period and to that end the Trust paid to its unitholders for 1975 its entire net income of \$470,017.

To improve the trading potential of units on the Winnipeg Stock Exchange your Trustees are proposing the subdivision of the units to represent at \$10. face value (100 for 1). A resolution authorizing this action will be presented to the unitholders at the annual meeting. Your Trustees are hopeful that by such a move a wider interest in the units would be generated, resulting in greater liquidity for the unitholders.

From its inception the Trust has been fortunate to attract to its Board of Trustees men who have a depth of experience in all facets of mortgage lending, documentation, construction and property management. The quality of our portfolio is a reflection of the care taken in investment policies of the Trust.

While there are still many uncertainties in the economy today, your Trustees concur that a conservative posture is to be adopted allowing for a growth rate that we can absorb without difficulty. In 1976 the Federal Government has requested that insurance and trust companies increase their residential mortgage undertakings by 750 million dollars. The result of the removal of these funds from the commercial lending market, will in our view create a greater demand for the Trust's funds in its areas of lending. We are looking forward to 1976 and we will continue to exercise our potential during this coming year.



A.A. Portugal
Chairman



GHI MORTGAGE INVESTORS

(An unincorporated trust established under the laws of Manitoba)

BALANCE SHEET as at December 31, 1975

ASSETS

	1975	1974
Cash	\$ 5,093	\$ 18,209
Accrued interest receivable	58,837	33,607
Mortgage loans, at cost (note 1)	5,021,420	3,807,664
	<u>\$5,085,350</u>	<u>\$3,859,480</u>

LIABILITIES

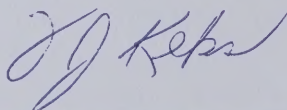
Bank advances (note 2)	\$1,000,000	\$ 742,000
Income distribution payable	128,101	42,217
Accounts payable and accrued liabilities	32,190	23,255
10.75% Note payable	200,000	
Unearned revenue		6,495
	<u>1,360,291</u>	<u>813,967</u>

UNITHOLDERS' EQUITY

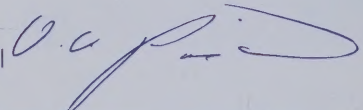
Trust units (note 3)		
Unlimited authorization of units without par value		
Issued		
3,771 Units (3,086 in 1974)	3,725,059	3,045,513
	<u>\$5,085,350</u>	<u>\$3,859,480</u>

Approved by the Trustees

F.J. Keks
Trustee



A.A. Portugal
Trustee



AUDITORS' REPORT

To the Unitholders of
GHI Mortgage Investors

We have examined the balance sheet of GHI Mortgage Investors as at December 31, 1975 and the statements of income and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Trust as at December 31, 1975 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Winnipeg, Canada
January 9, 1976



Chartered Accountants

STATEMENT OF INCOME

year ended December 31, 1975

(with comparative figures from March 7, 1974,
the date of establishment of the Trust, to December 31, 1974)

	1975	1974
Revenue		
Interest on mortgage loans	\$ 606,458	\$ 348,104
Interest on short-term deposit receipts	926	6,083
Prepayment bonus interest and fees	8,562	16,479
	<u>615,946</u>	<u>370,666</u>
Expenses		
Interest expense	63,558	21,397
Advisory fee	63,641	34,512
Other expenses	18,730	12,464
	<u>145,929</u>	<u>68,373</u>
NET INCOME (note 4)	<u>\$ 470,017</u>	<u>\$ 302,293</u>
DISTRIBUTIONS DECLARED	<u>\$ 470,017</u>	<u>\$ 302,293</u>
INCOME PER TRUST UNIT (note 5)	<u>\$ 130.57</u>	<u>\$ 106.52</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

year ended December 31, 1975

(with comparative figures from March 7, 1974,
the date of establishment of the Trust, to December 31, 1974)

	1975	1974
SOURCE OF WORKING CAPITAL		
Net income	\$ 470,017	\$ 302,293
Net proceeds from issue of trust units	679,546	3,045,513
Bank advances	258,000	742,000
Note payable	200,000	
Net change in other assets and liabilities	76,210	20,151
	<u>\$1,683,773</u>	<u>\$4,109,957</u>
APPLICATION OF WORKING CAPITAL		
Net increase in mortgage loans	\$1,213,756	\$3,807,664
Distributions declared to unitholders	470,017	302,293
	<u>\$1,683,773</u>	<u>\$4,109,957</u>

NOTES TO FINANCIAL STATEMENTS

year ended December 31, 1975

1. MORTGAGE LOANS

The final maturity dates of the mortgages are as follows

1976	\$2,327,739
1977	358,707
1978	522,974
1979	433,000
1980	1,379,000
	<hr/>
	\$5,021,420

2. BANK ADVANCES

The Trust has provided security to its bankers to support its credit line.

3. TRUST UNITS

The amount shown as Trust units issued and outstanding is calculated as follows

	1975	1974
3,771 Trust units issued		
(3,086 in 1974)	\$3,771,000	\$3,086,000
Less issue expense	45,941	40,487
	<hr/>	<hr/>
	\$3,725,059	\$3,045,513

The 685 units issued on April 8, 1975 were issued for cash.

4. INCOME TAXES

The Trust will not be taxed on income distributed to unitholders as it qualifies as a "Unit Trust" under the Income Tax Act of Canada.

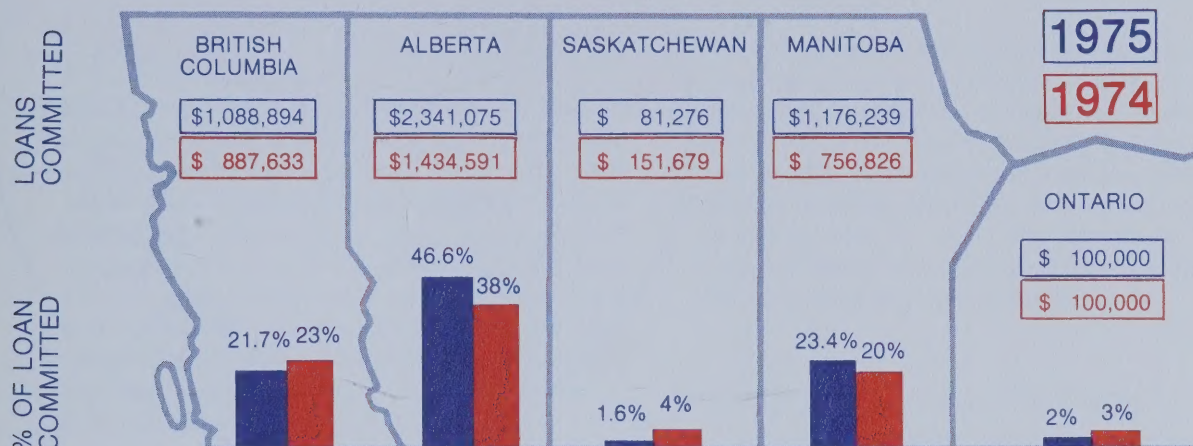
5. INCOME PER TRUST UNIT

Income per trust unit is based on the weighted average number of units outstanding during the year.

ANALYSIS OF LOAN COMMITMENTS

at December 31, 1975

GEOGRAPHIC DISTRIBUTION



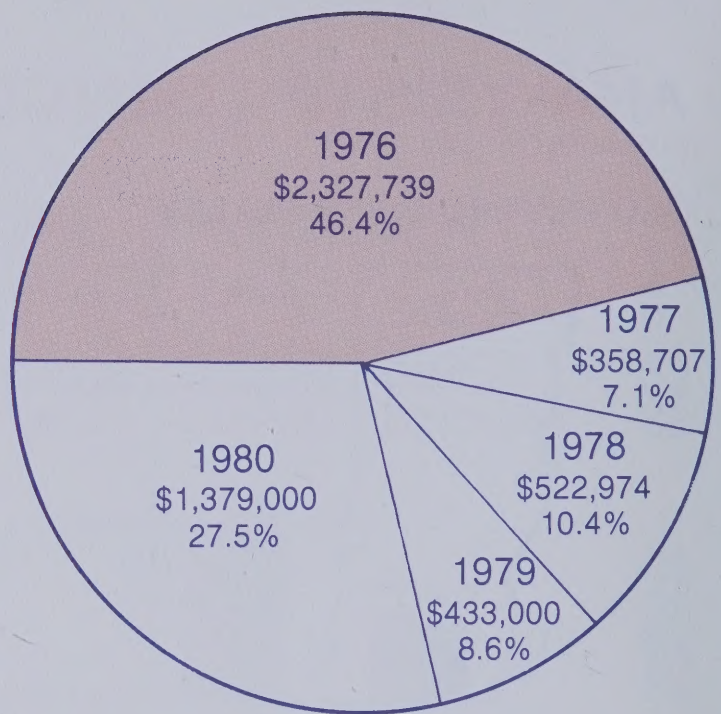
OTHERS

	LOANS COMMITTED		% OF LOANS COMMITTED	
	1975	1974	1975	1974
Yukon	\$ 233,936	\$ 376,935	4.7%	10%
NorthWest Territories	—	\$ 100,000	—	2%

TYPE OF LOAN	AMOUNT		ESTIMATED AVERAGE ANNUAL YIELD		PERCENTAGE OF PORTFOLIO	
	1975	1974	1975	1974	1975	1974
FIRST MORTGAGE LOANS			14.17%	15.06%	43.9%	11%
Commercial	\$1,285,707	\$ 400,000				
Development	\$ 684,307					
Residential	\$ 233,936					
	\$2,203,950					
SECOND MORTGAGE LOANS			14.45%	15.98%	38.9%	47%
Commercial	\$1,954,351	\$1,533,923				
Development		\$ 250,000				
		\$1,783,923				
CONSTRUCTION LOANS			15.07%	16.92%	8.8%	31%
Commercial	\$ 440,000	\$ 975,000				
Residential		\$ 226,935				
		\$1,201,935				
WRAP-AROUND LOANS			13.08%	13.25%	8.4%	11%
Commercial	\$ 423,119	\$ 421,806				

MATURITY OF LOAN COMMITMENTS

in force at December 31, 1975



QUARTERLY INCOME DISTRIBUTION PER UNIT

for the year ending December 31, 1975

QUARTER ENDING

March 31/75

June 30/75

September 30/75

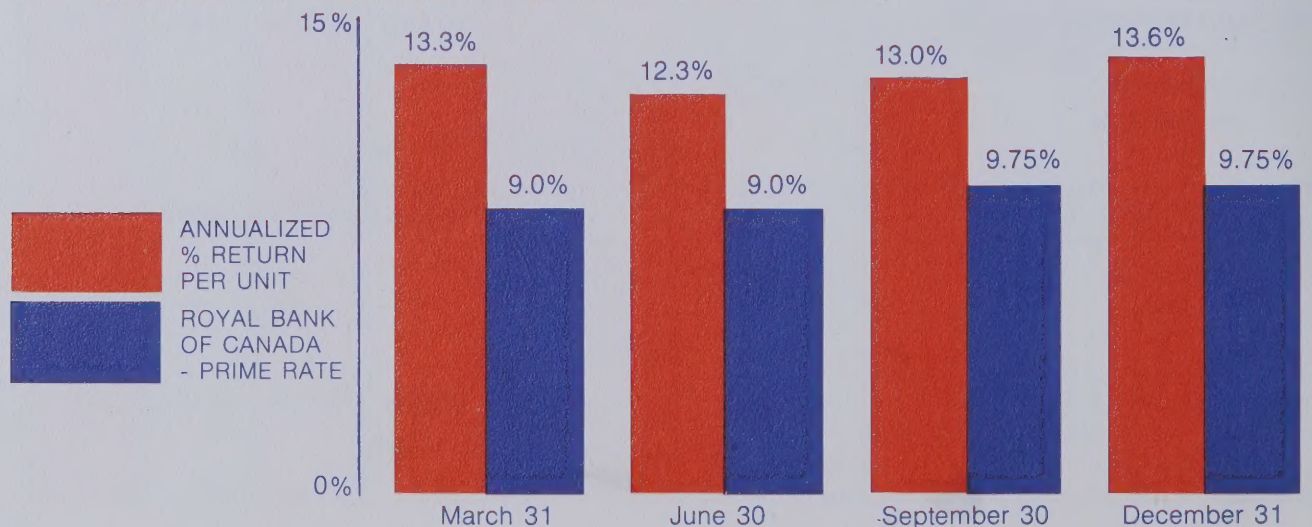
December 31/75

			\$33.36	
			\$30.87	
			\$32.50	
			\$33.97	

\$0 to \$50 scale

ANNUALIZED PERCENTAGE RETURN BY QUARTER

For the year ending December 31, 1975



THE ROLE OF THE SHORT TERM LENDER

As a short-to-medium term lender in the Canadian real property development market, GHI provides an important service to owners and developers seeking the specialized financial assistance available from the Trust. By close supervision, GHI assists the borrower in bringing an individual project to fruition. The Trust also enables the borrower to control his own long term financial destiny to a much greater extent than would be possible under other circumstances. In the eyes of the borrower, this advantage far outweighs the short term cost of various financial packages offered by GHI.

The diversity and scope of the operation of the Trust can perhaps best be illustrated by the following examples:

Homes for the North

Responding to an acute housing shortage in an urbanized area of the NorthWest Territories, a small developer with a good reputation put together a housing development but was unable to proceed because of lack of institutional funds in his geographic area. The developer was assisted with a construction loan that enabled him to proceed with the complete development of a small community of single family homes. Once all construction on the development was completed, the loan reverted to a first mortgage residential loan which was paid down as each completed home was sold.

Completing the Package

A developer was assembling a strategic site in northern Alberta but had only acquired a portion of the necessary land. He required additional funds in order to obtain the remaining portion of the land and also to provide financing during the period while the land was being rezoned, but did not wish to tie himself down with a long term mortgage.

Upon review of the project, the reputation and financial circumstances of the builder, and upon being satisfied that the development would meet the needs of the market in that area, a short term first mortgage development loan was advanced to the borrower providing him with short term financing until a cash flow developed which enabled him to proceed with a high rise residential and shopping centre development.

Wrapping up the Package

A hotel in Manitoba had a long term very low rate first mortgage as encumbrance against the property. The operation was very successful but while the owners wanted to expand and renovate, they did not wish to sacrifice the low rate of interest on their existing mortgage that would have resulted from remortgaging to obtain the necessary additional funds.

A "wrap around loan" was provided at a substantially lower total cost than would have been possible had the owners had to remortgage. The additional funds were advanced for renovation and expansion and, at the same time, the owners of the hotel then made payments on a regular schedule based on the existing first mortgage as well as the amount of additional principal advanced for the addition.

Nursing Home to Meet the Need

A successful operator of a small nursing home in southern Alberta wanted to build a new, modern and much expanded facility. Although he had a substantial portion of the capital required for the new facility, he was short of the total cost. An investigation revealed that the operator had proven ability, a high degree of expertise in his chosen field and that there was a very evident need for the proposed expanded facilities. A second mortgage commercial loan was supplied which enabled the home operator to construct new ultra modern facilities for 144 patients.

AN OVERVIEW OF THE TRUST

Role of The Adviser

GHI Mortgage Investors invests all of its money in loans arranged for it by its adviser, GHI Adviser Ltd. The Adviser was the sponsor and is the contractual adviser of the Trust and provides professional expertise required by the Trust to meet its objectives. The Adviser also reviews investment opportunities, presents qualified applications to the Board of Trustees, provides the Trust with financial advice, controls liability and asset management, administers loans, maintains the books and records and administers and conducts the business operations of the Trust. Its fees are regulated by governmental agencies.

GHI Mortgage Investors is a wholly Canadian owned and operated Mortgage Trust, created under the laws of the Province of Manitoba, and which commenced operations in April, 1974. The Trust derives its income exclusively from interest earned on real property loans and is a short-to-medium term lender, restricting its loans to those maturing in 6 years or less.

Objective

The basic objective of the Trust is to build a balanced and diversified portfolio of mortgage investments designed to provide unitholders with an above average return on high security investment. In order to accomplish this objective, the Trust actively seeks investment opportunities across Canada in commercial and industrial properties such as hotels, office buildings, nursing homes, shopping centres, warehouses, manufacturing facilities — as well as a wide range of residential properties and developments.

Trustees

The Trust is directed by a Board of Trustees noted for their expertise in the areas of real estate and finance. The Trustees form the decision-making body of the Trust and contract for the services of the Adviser to transact day-to-day operations.

Income Distribution Policy and Ownership

Beneficial ownership of the Trust is expressed in issued and outstanding "units", transferrable in the hands of unitholders and which are listed for trading on the Winnipeg Stock Exchange.

Under Canadian tax laws, the Trust qualifies as a conduit which effectively allows investors to participate in a constantly changing portfolio of investments, receiving untaxed income distributions from a professionally managed portfolio of mortgages.

The Trust has no tax liability on distributed income which flows through to the unitholder without being taxed and is then taxable as income in the hands of the shareholder at his or her personal tax rate. Unitholders may use distributed income from GHI as all or part of the \$1,000 annual interest income that each individual is allowed free of taxes. Alternatively, unitholders may place units in self administered Registered Retirement Savings Plans.

Past & Future

Since its formation, flexible and innovative management policies have enabled the Trust to maintain a high rate of return and avoid completely the problems that have plagued many real property related trusts in other parts of North America. Also, since the Trust cannot invest in real estate itself, long term leaseholds or in long term mortgages, it operates under constraints specifically designed to provide for a rapid turn over in its portfolio and thereby adjust to changing market conditions.

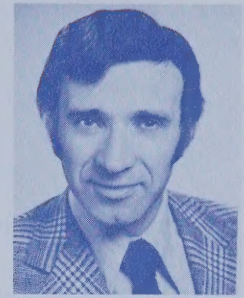
If, as predicted by some economists, 1976 sees a substantial reduction in interest rates, then unit earnings could rise as a spread develops between the rates at which the Trust is able to borrow money and the rate at which it is able to lend money. Falling interest rates could also spur construction activity and provide opportunities for the Trust to increase and diversify its mortgage portfolio.

GHI MORTGAGE INVESTORS

TRUSTEES



A.A. Portigal
Chairman



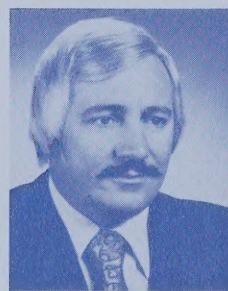
L. Shearer
Vice-President



T.A. Crosier
Partner
Crosier, Greenberg
& Partners
Consulting Engineers



W.C. Irish
Partner
Inkster, Walker, Westbury,
Irish, Rusen & Hughes
Barristers



F.J. Keks
Partner
Dunwoody & Company
Chartered Accountants



J.T. McJannet
Partner
Pitblado & Hoskin
Barristers

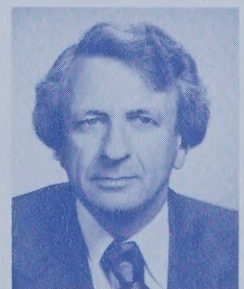
OFFICERS

A.A. Portigal
Chairman



R.C. Deegan
Controller

L. Shearer
Vice-President



D. Sokolov
Partner
Sokolov & Co.
Barristers

ADVISER

GHI Adviser Ltd.
1210 - One Lombard Place
Winnipeg, Manitoba
R3B 0X3

TRANSFER AGENT, REGISTRAR & CUSTODIAN

Canada Permanent Trust Company

AUDITORS

Thorne Riddell & Co.

LISTING

Winnipeg Stock Exchange

